

Message Text

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PAGE 01 STATE 300510

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E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. EGYPTIAN-SOVIET RELATIONS NOT YET "NORMALIZED"

SOVIET AMBASSADOR TO CAIRO POLYAKOV TOLD AMBASSADOR EILTS
THE FAHMY-GROMYKO MEETING IN SOFIA WAS ONLY PRELIMINARY AND
THE SOVIETS STILL DO NOT FEEL THE GOE HAS DONE ENOUGH TO
WARRANT NORMALIZATION OF RELATIONS. POLYAKOV ALSO SAID:

--A SECOND FAHMY-GROMYKO MEETING IS POSSIBLE, BUT NOT
IN THE IMMEDIATE FUTURE.

--EGYPT'S POSTURE DURING THE JANUARY BILATERAL TRADE
PROTOCOL TALKS WILL SIGNAL ITS INTEREST IN IMPROVING
RELATIONS.

--THE USSR EXPECTS EGYPT TO SATISFACTORILY REDUCE ITS
LARGE INDEBTEDNESS.

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PAGE 02 STATE 300510

--THE SOVIETS HAVE NOT RESUMED ARMS OR SPARE PARTS SHIPMENTS TO EGYPT.

--EGYPTIAN POLICY, WHICH STILL TILTS MARKEDLY TOWARD THE US, SHOULD BE MORE BALANCED BETWEEN THE TWO SUPER-POWERS. (CONFIDENTIAL) CAIRO 16883, 12/8.)

2. JAPANESE ECONOMIC POLICY: NO YEN FOR CHANGE

EMBASSY TOKYO PREDICTS LITTLE CHANGE IN JAPANESE ECONOMIC POLICY DESPITE THE LIBERAL DEMOCRATIC PARTY'S LOSSES. ECONOMIC POLICY MANAGEMENT, HOWEVER, MAY BECOME MORE DIFFICULT FOR THE PERMANENT PROFESSIONAL BUREAUCRACY. THE EMBASSY FURTHER EXPECTS THAT:

--THE DIET WILL PASS A SUPPLEMENTAL BUDGET TO STIMULATE BUSINESS ACTIVITY, PROBABLY BY THE END OF JANUARY.

--FUKUDA MAY HAVE TO BOW TO THE DESIRE OF SOME OPPOSITION ELEMENTS FOR A TAX CUT TO PRESERVE THEIR SUPPORT ON KEY ISSUES.

--THE GOVERNMENT IS LIKELY TO SHY AWAY FROM INTERNATIONAL ECONOMIC AGREEMENTS WHICH REQUIRE DIET CONSIDERATION, FAVORING INSTEAD BILATERAL OR MULTILATERAL INFORMAL ARRANGEMENTS.

--JAPANESE POLICIES TOWARD ALL IMPORT-SENSITIVE PRODUCTS WILL PROBABLY BECOME EVEN MORE DIFFICULT TO CHANGE.

--TOKYO WILL NOT PASS UP THE OPPORTUNITY TO HOST THE NEXT ECONOMIC SUMMIT, DESPITE THE ENORMOUS PROBLEMS IT ENTAILS. (CONFIDENTIAL) TOKYO 18146, 12/9.)

3. JIDDA: SOVIETS MAY HAVE LOST OPPORTUNITY IN THE GULF

EMBASSY JIDDA BELIEVES THE SOVIETS HAVE MADE A MAJOR MISTAKE IF, AS EMBASSY MOSCOW SUGGESTS, RECENT RUSSIAN PRESS CONFIDENTIAL

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PAGE 03 STATE 300510

ATTACKS AGAINST SAUDI ARABIA INDICATE MOSCOW HAS ABANDONED ITS DRIVE FOR BETTER RELATIONS WITH THE GULF STATES. SAUDI OPPOSITION TO COMMUNIST DIPLOMATIC REPRESENTATION IN THE GULF HAD SOFTENED RECENTLY AS THE SAG SOUGHT TO DEMONSTRATE ITS INDEPENDENCE OF THE US. BUT VEHEMENT ANTI-SAUDI ATTACKS IN MOSCOW'S NEW TIME, WHICH PRODUCED SHARP EDITORIAL COUNTERATTACKS IN SAUDI ARABIA, MAY HAVE STIFFENED OPPOSITION TO THE USSR. (CONFIDENTIAL) JIDDA 7912, 12/8

4. ITALY: PCI OFFICIAL EYES THE FUTURE

A RESPONSIBLE OFFICIAL OF THE ITALIAN COMMUNIST PARTY (PCI)
TOLD EMBASSY ROME THE PARTY:

--IS ENCOUNTERING PROBLEMS BECAUSE OF LEADERSHIP DIS-
AGREEMENTS OVER STRATEGY, UNION OPPOSITION TO THE
PCI'S SUPPORT OF AUSTERITY PROGRAMS, AND IMPATIENCE
AMONG THE RANK AND FILE;

--MUST ACHIEVE A GOVERNMENTAL ROLE GRADUALLY, IN ORDER
TO FORESTALL POPULAR REACTION; AND

--WOULD LIKE TO JOIN THE PARLIAMENTARY MAJORITY IN THE
SPRING, BUT DELAY FORMAL ENTRY INTO THE GOVERNMENT
UNTIL LATER.

THE OFFICIAL CONCLUDED WITH THE HOPE THAT THE CARTER ADMIN-
ISTRATION MIGHT OPEN A NEW ERA IN PCI/US RELATIONS. (CON-
FIDENTIAL ROME 19986, 12/8.)

5. PRC: TENG'S REHABILITATION SUCCEEDING?

COMMUNIST PUBLISHER FEI I-MIN TOLD CONGEN HONG KONG DECEM-
BER 7 HE BELIEVED TENG HSIAO-PING'S REHABILITATION WAS NOW
ONLY A MATTER OF TIME, AND THE CAMPAIGN AGAINST HIM HAD
BEEN MANIPULATED BY THE "GANG OF FOUR" IN ORDER TO ATTACK
HUA KUO-FENG. MEANWHILE, CHINESE SOURCES TOLD THE WEST
GERMAN EMBASSY IN PEKING AN EXHIBIT, PLANNED FOR JANUARY,
WILL PROVE THE "GANG OF FOUR" ENGINEERED LAST APRIL'S
RIOTING IN TIEN AN-MEN SQUARE IN ORDER TO JUSTIFY THE DIS-
MISSAL OF TENG AND SIDETRACK DEMONSTRATIONS IN FAVOR OF
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PAGE 04 STATE 300510

CHOU EN-LAI. IF SUCH AN EXHIBIT OCCURS, IT WILL BE THE
MOST EXPLICIT INDICATION YET THAT EFFORTS TO REHABILITATE
TENG ARE SUCCEEDING. (CONFIDENTIAL) HONG KONG 14215, 12/8
AND PEKING 2514, 12/7.)

6. SARKIS NAMES TECHNOCRAT TO FORM NEW GOVERNMENT

PRESIDENT SARKIS HAS NAMED SALIM AHMED HUSS, AN AMERICAN-
EDUCATED TECHNOCRAT, AS PRIME MINISTER OF LEBANON. HUSS,
A SUNNI MOSLEM, IS EXPECTED TO NAME A PRAGMATIC, NON-
POLITICAL CABINET RESPECTING THE TRADITIONAL ALLOCATION OF
POSTS AMONG LEBANON'S FEUDING RELIGIOUS COMMUNITIES AND TO
OBTAIN QUICK PARLIAMENTARY CONFIRMATION. BRILLIANT AND
SELF-EFFACING, HUSS WAS REPORTEDLY UNENTHUSIASTIC ABOUT
BECOMING PRIME MINISTER AND WOULD HAVE PREFERRED TO WORK

FULL TIME ON RECONSTRUCTION. (CONFIDENTIAL) BEIRUT 8879,
12/9.) ROBINSON

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